



No. 51/2023

Monetary Policy Committee's Decision 6/2023

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 29 November 2023 as follows.

The Committee voted unanimously to maintain the policy rate at 2.50 percent. One MPC member was unable to attend the meeting.

The Thai economy overall continued to recover, despite some slowdown in merchandise exports and related production. Growth is expected to be more balanced in 2024 and 2025, supported by domestic demand, tourism sector, and a recovery in merchandise exports. Inflation should increase next year in line with the economic recovery and El Niño-related supply pressure. With output continuing to recover toward potential, the Committee deems the current policy interest rate conducive to keeping inflation sustainably within the target range, fostering long-term macro-financial stability by preempting the build-up of financial imbalances, and ensuring sufficient policy space in light of uncertain outlook. The Committee thus voted to maintain the policy rate at this meeting.

The Committee projects growth of 2.4 and 3.2 percent in 2023 and 2024, respectively. The growth projection that accounts for the government's digital wallet scheme is 3.8 percent in 2024, compared with the previous assessment of 4.4 percent. The broad trajectory of the economy is one of a continued recovery, driven by a robust expansion in private consumption on the back of services spending as well as an improvement in employment and labor income. Merchandise exports and tourism have been recovering more slowly than expected, due to subdued growth in China and a delayed turnaround in global electronic demand. Looking ahead, growth should be more balanced, as tourism continues to recover and merchandise exports start to expand. At the same time, structural impediments could limit the positive effects of global demand recovery on Thai exports.

Headline inflation is projected to stay within the target range, at 1.3 and 2.0 percent in 2023 and 2024, respectively. The projection that accounts for the digital wallet scheme is 2.2 percent in 2024, relative to the previous assessment of 2.6 percent. The lower headline inflation this year owes in part to the last-year high base as well as temporary factors



such as energy price subsidies and lower-than-expected raw food prices. Meanwhile, core inflation excluding the digital wallet scheme is expected to be 1.3 and 1.2 percent in 2023 and 2024, respectively. The Committee is attentive to risks from higher food prices due to El Niño and a potential increase in global energy prices arising from the Middle East conflicts.

The overall financial system remains resilient. Financial institutions maintain high levels of capital and loan loss provision. There is a need to continue monitoring credit quality for some SMEs and households with impaired debt serviceability, higher debt burden, and slower income recovery. The Committee supports the continuation of debt restructuring measures as well as targeted measures and sustainable debt resolution for vulnerable groups, particularly responsible lending measures.

Overall financial conditions tightened somewhat. Private sector funding costs increased in line with the higher policy rate but in general do not hinder the ongoing economic recovery. Business loan growth has begun stabilising in line with economic activities. The baht strengthened against the US dollar in line with the regional currencies, primarily influenced by the Federal Reserve's monetary policy outlook.

Under the prevailing monetary policy framework, the Committee seeks to maintain price stability, support sustainable growth, and preserve financial stability. In view of these objectives, the Committee expects the Thai economy to gradually recover toward its potential, and inflation to be within the target range. The current policy interest rate is appropriate for supporting long-term sustainable growth. The Committee will take into account growth and inflation outlook as well as associated risks in deliberating monetary policy looking ahead.

Bank of Thailand
29 November 2023

Monetary Policy Strategy Office
Tel: +66 2283 6186, +66 2356 7872
E-mail: MPSO@bot.or.th



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 6/2023

29 November 2023

Piti Disyatat

Assistant Governor, Monetary Policy Group

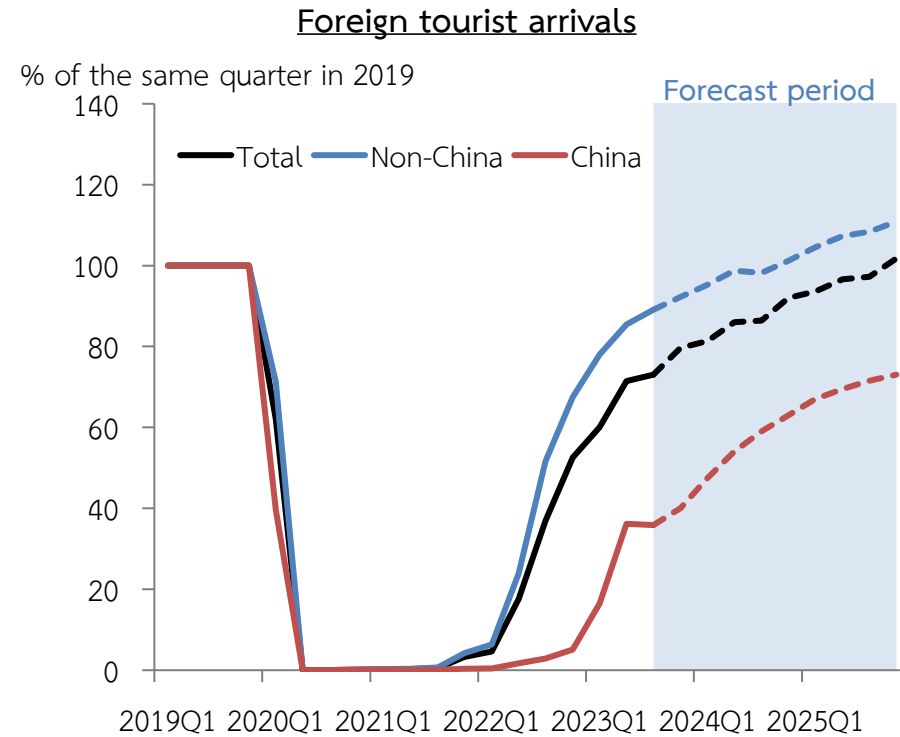
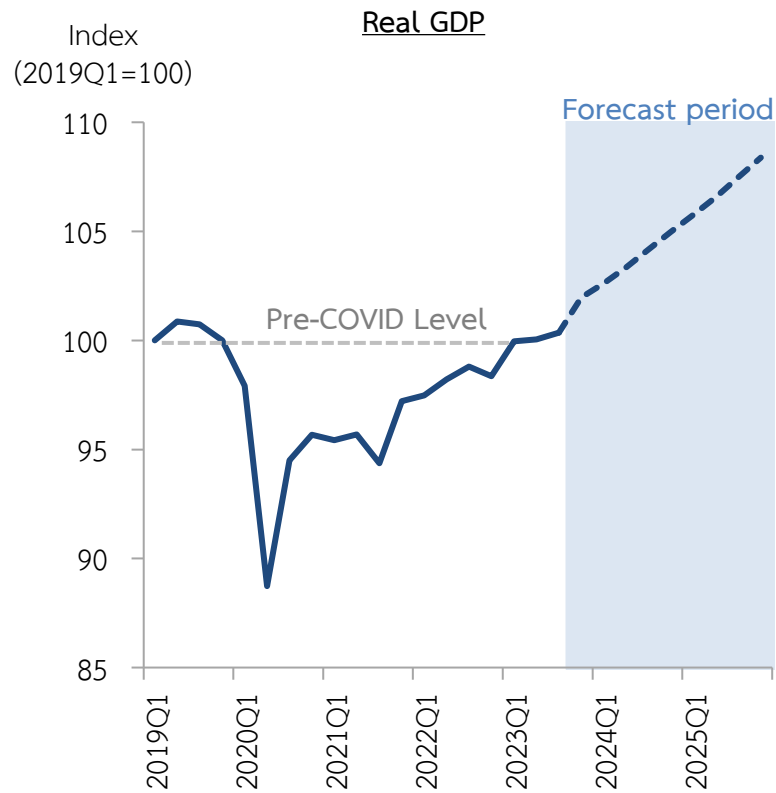


The broad trajectory of the economy is one of a continued recovery, despite uneven economic drivers

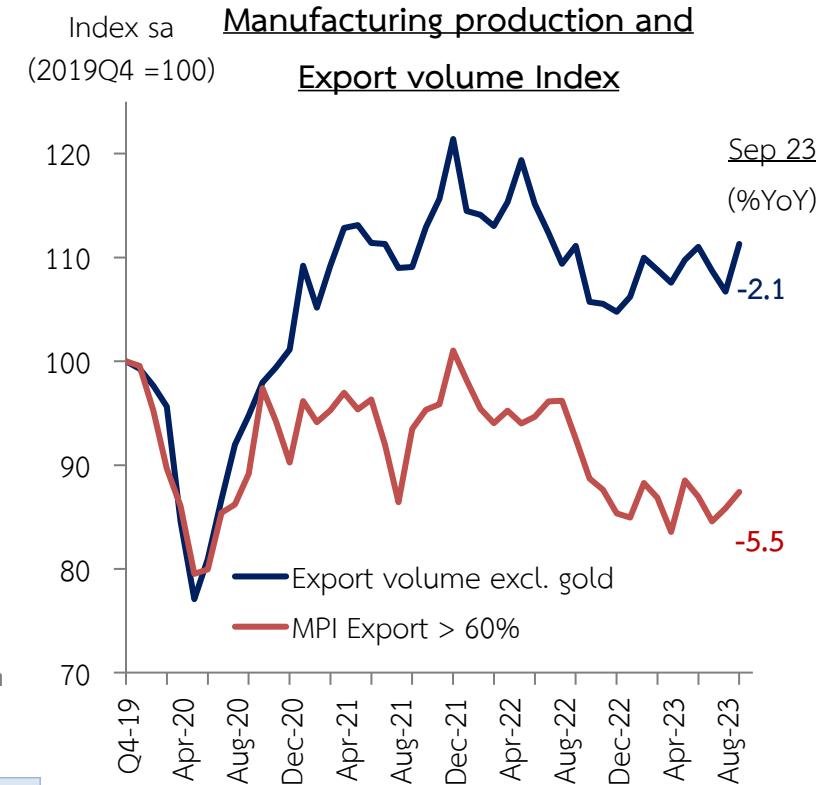
Thai economy continues to recover and surpassed its pre-COVID level

Foreign tourist arrivals should return to a normal trend by 2025 driven by non-Chinese tourists

Manufacturing production and merchandise exports have not fully recovered



Million persons	2022	2023	2024	2025
Foreign tourist arrivals	11.2	28.3	34.5	39.0



Source: NESDC OIE and Ministry of Tourism and Sports, forecast by BOT



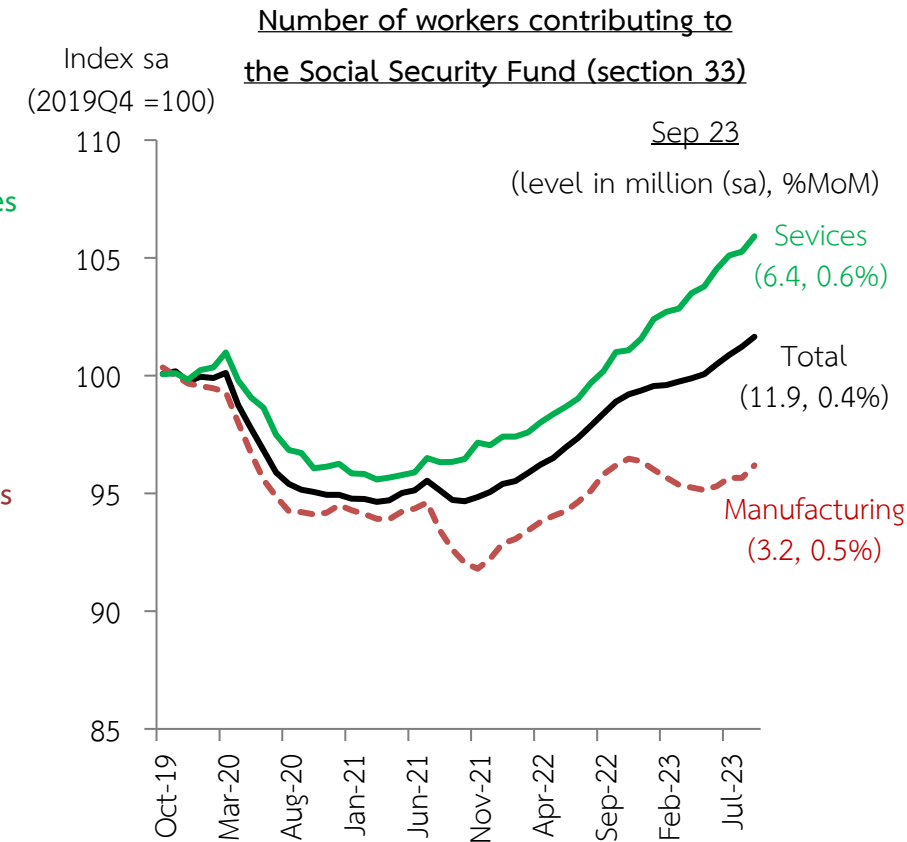
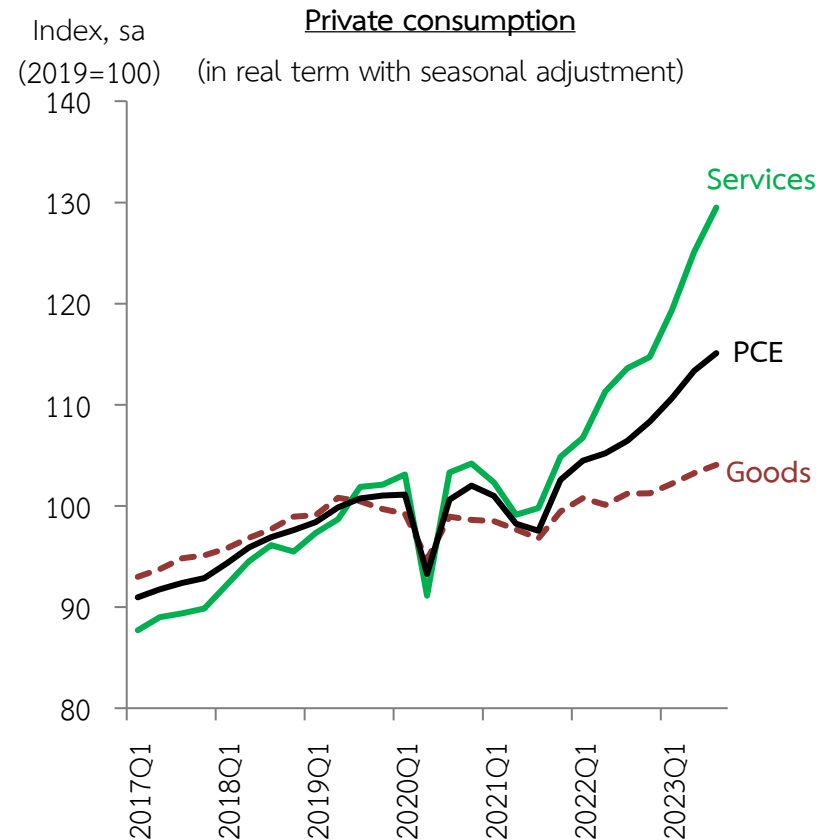
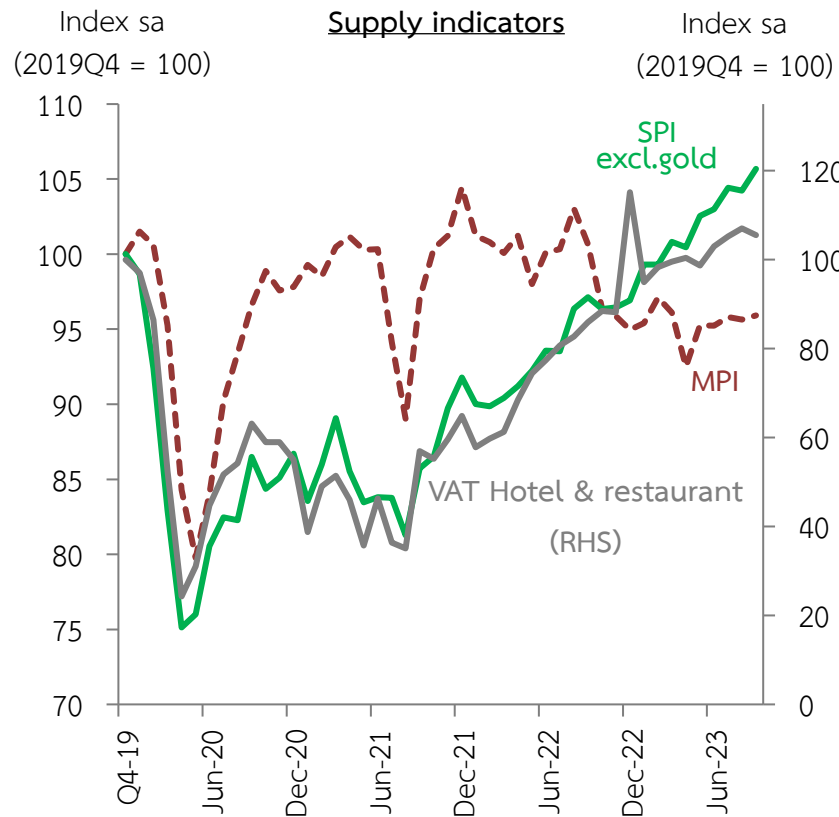
Uneven recovery in goods and services activities

Post-COVID recovery primarily led by services

Supply indicators show
a robust services recovery

Private consumption driven by
services spending

Services recovery pushed employment
above pre-COVID level



Note: MPI = Manufacturing Production Index, SPI = Service Production Index (excl. public administration and services, and gold activities), VAT Hotel & restaurant = VAT-based sales for hotel and restaurant category

Source: NESDC OIE The Revenue Department SSO, calculations by BOT

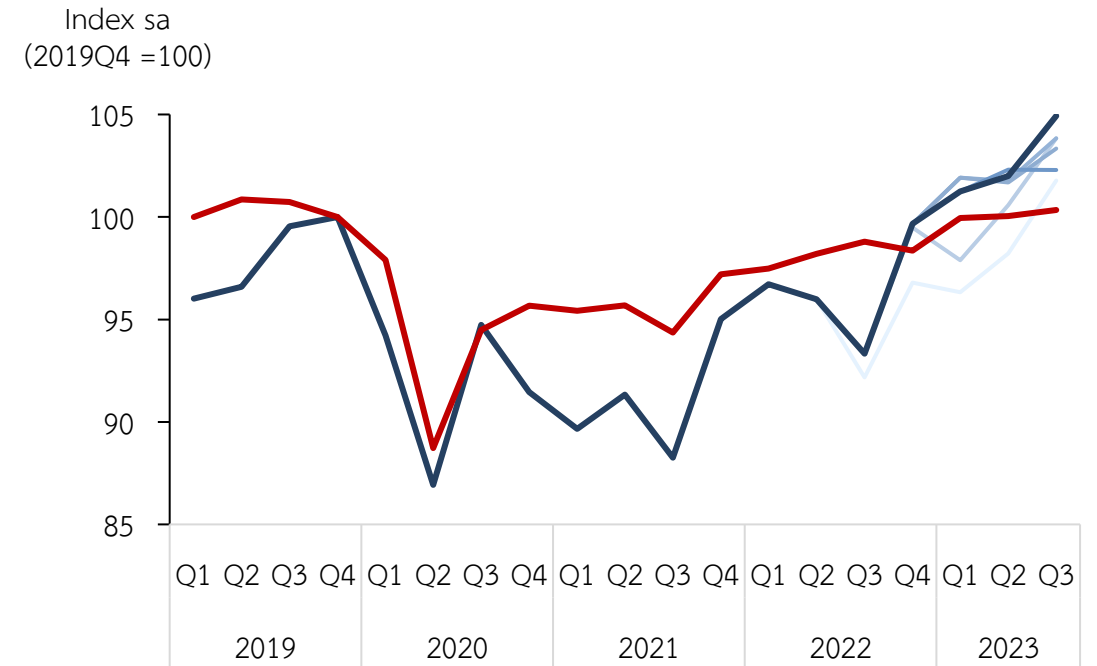
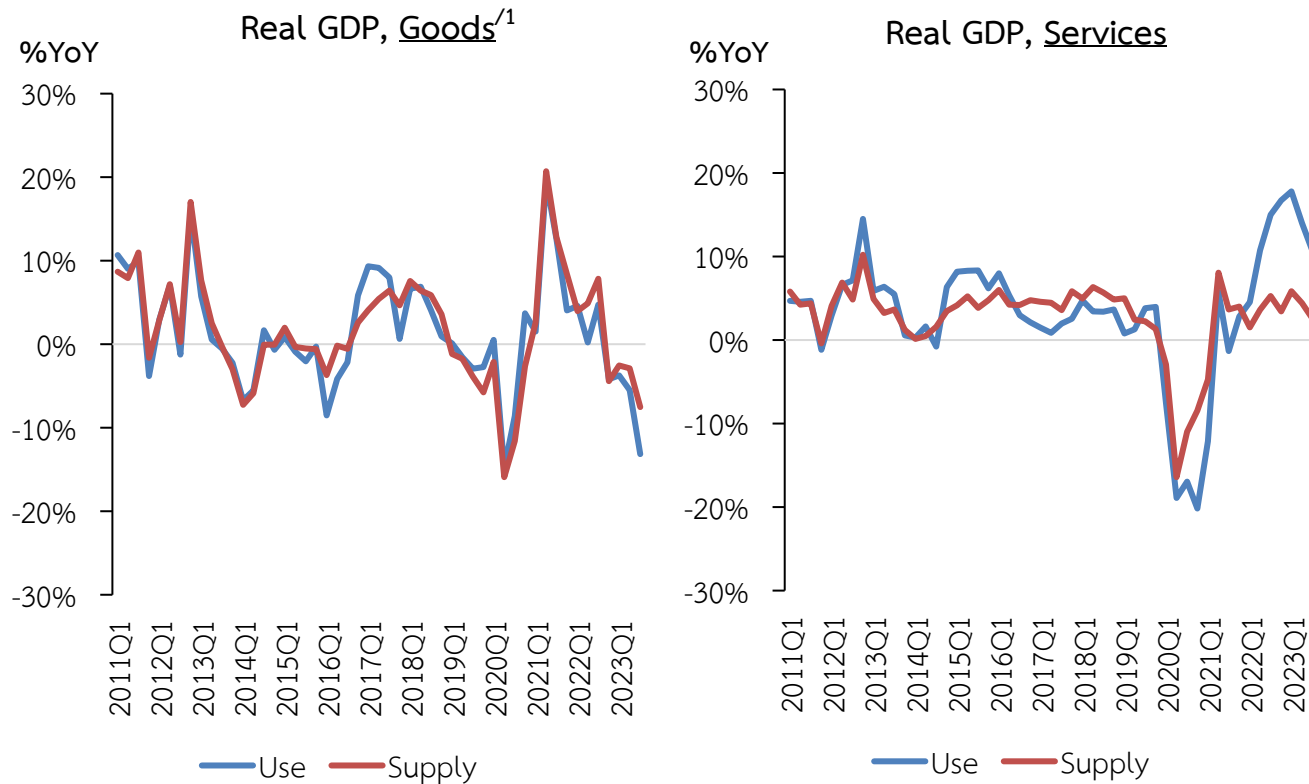


GDP release confirms a picture of uneven recovery

But tracking services activity more challenging post-COVID-19

Services activities from production and expenditure sides became less synchronized in the post-COVID-19

Expenditure side of GDP indicates a robust and continued expansion



Note: ¹ including change in inventories, “Use” consists of domestic demand and exports, “Supply” consists of manufacturing and imports

Source: BOT calculations using NESDC data

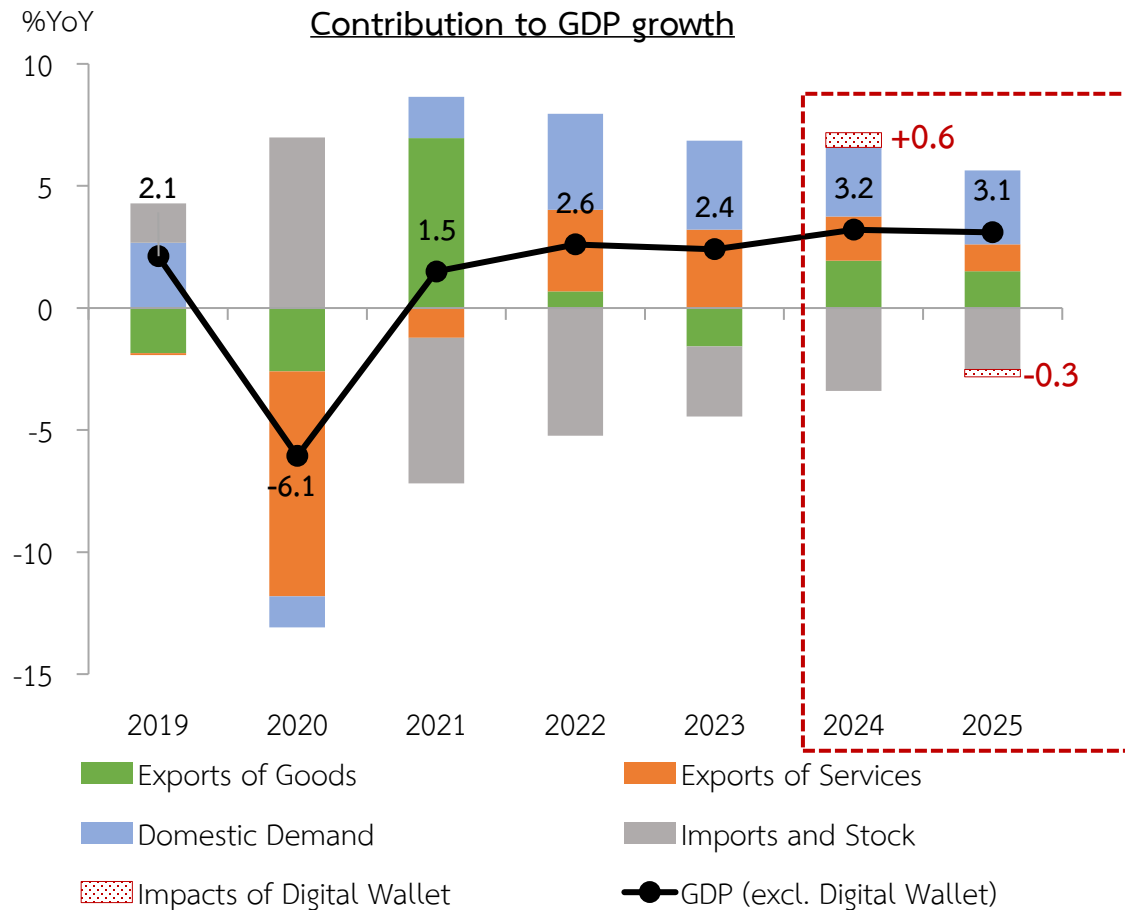
Forecast final demand excluding change in inventories

- MPC 1/23
- MPC 2/23
- MPC 3/23
- MPC 4/23
- MPC 5/23
- MPC 6/23
- Real GDP, sa

Note: Final demand is calculated by summing expenditure components of GDP excluding change in inventories (in real term with seasonal adjustment)



A turnaround in merchandise exports in 2024 should provide a tailwind to the economy



Risks	
+ Upside risks	Stronger-than-expected domestic demand
- Downside risks	Weaker-than-expected global growth, especially in China Impacts from Israel-Hamas conflict

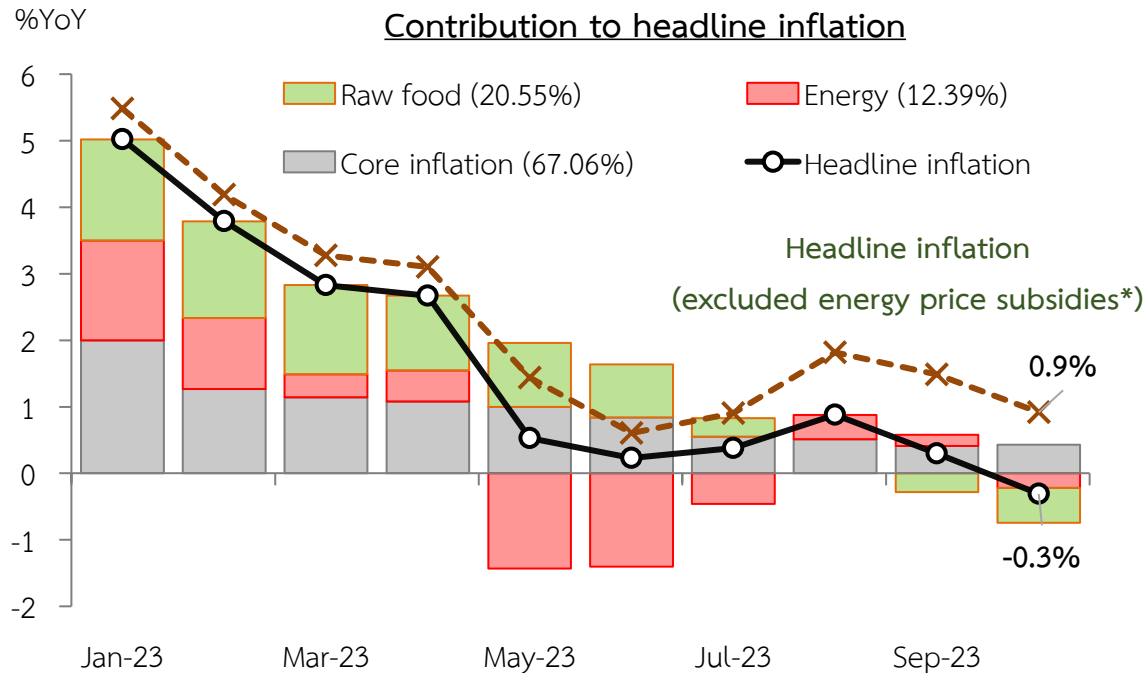
	2024	2025
GDP <u>incl.</u> Digital Wallet	3.8	2.8
GDP <u>excl.</u> Digital Wallet	3.2	3.1



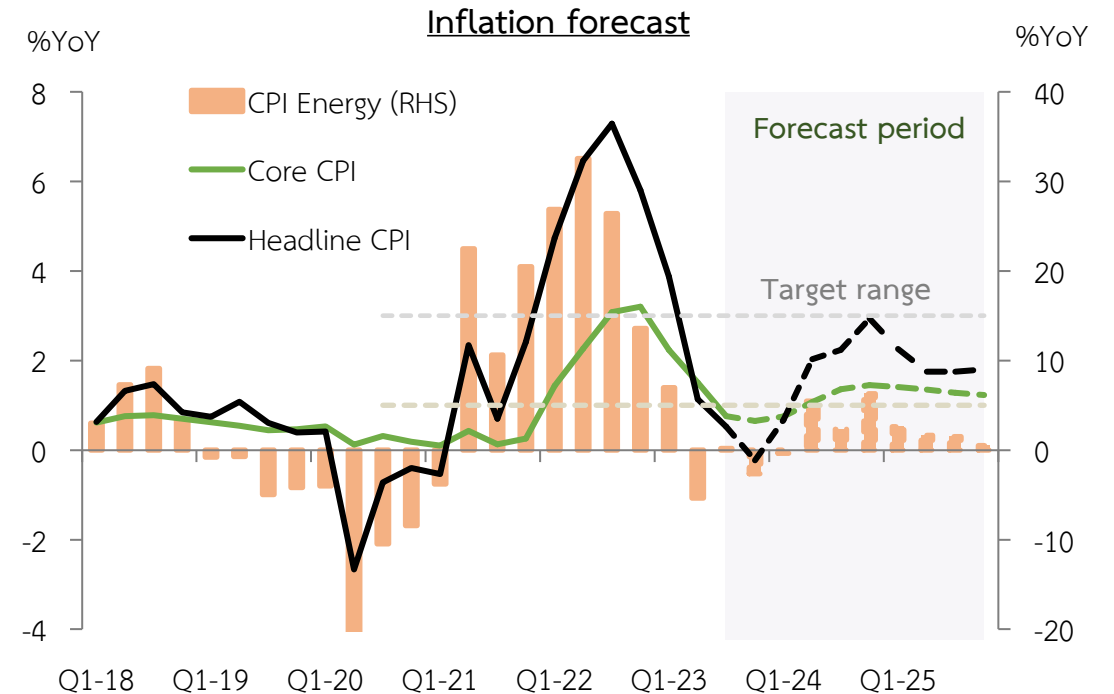
Headline inflation low from temporary factors

Looking ahead, it should stabilise within the target range

Government living-cost subsidies kept inflation low in the near term



Inflation should pick up in 2024



Source: Ministry of Commerce, calculations and forecast by BOT;

Note: () denotes share in CPI basket for base year 2019; *energy price subsidies include

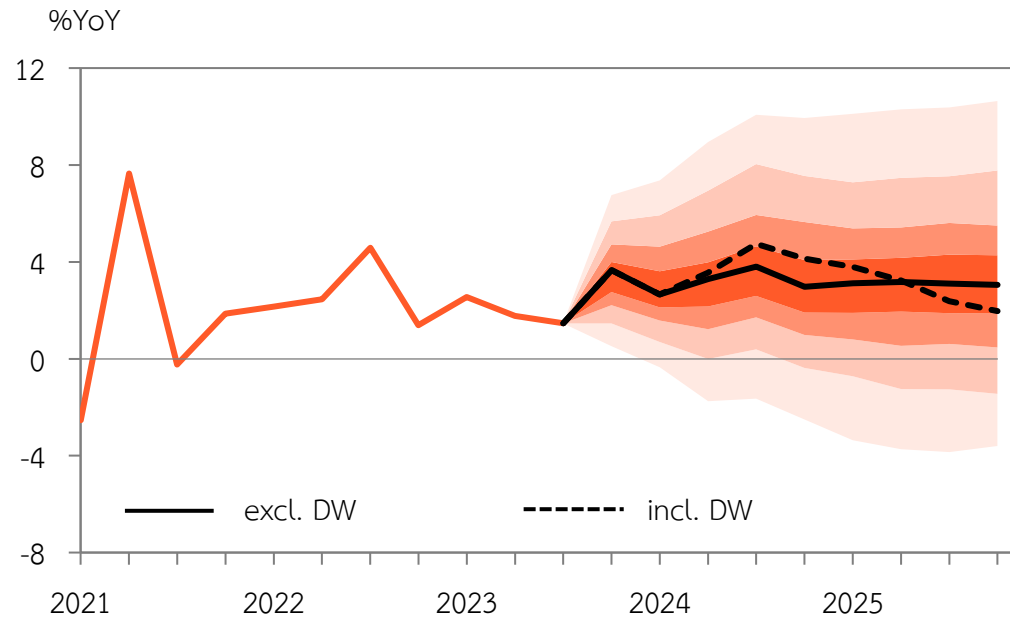
1. The ceiling price of diesel fixed at 35 baht per litre (Jan - May 2023), fixed at 32 baht per litre (Jun - Sep 2023) and fixed at 30 baht per litre (Oct 2023) and
2. Government subsidies for electricity bills during Jan - Apr, May - Aug and Sep - Dec 2023



An outlook with a continued recovery and inflation within the target range

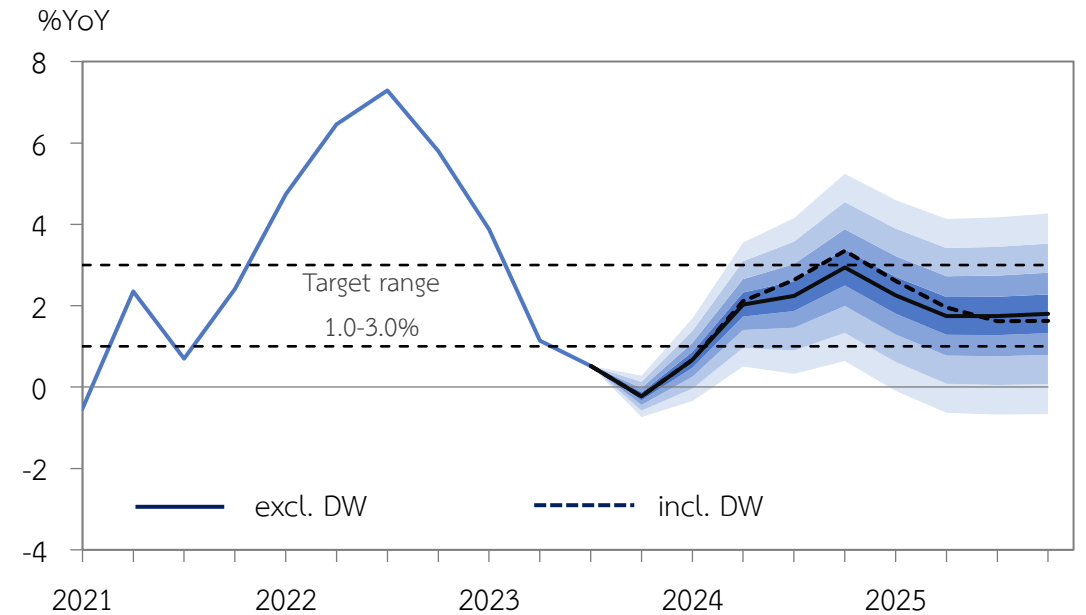
Impacts of digital wallet scheme front-loaded in 2024

GDP growth



GDP (%YoY)	2024	2025
MPR Sep-23 incl. Digital Wallet	4.4	-
MPC Nov-23 incl. Digital Wallet	3.8	2.8
MPC Nov-23 excl. Digital Wallet	3.2	3.1

Headline inflation



Headline Inflation (%YoY)	2024	2025
MPR Sep-23 incl. Digital Wallet	2.6	-
MPC Nov-23 incl. Digital Wallet	2.2	2.0
MPC Nov-23 excl. Digital Wallet	2.0	1.9



Monetary policy deliberation focuses on underlying macroeconomic trends with an aim to foster medium-term macro-financial stability

Output

gradually recovering toward potential

Inflation

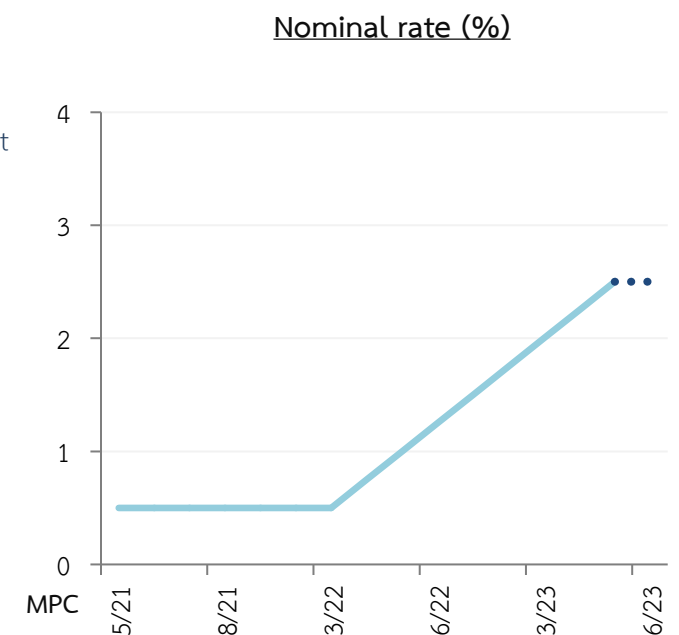
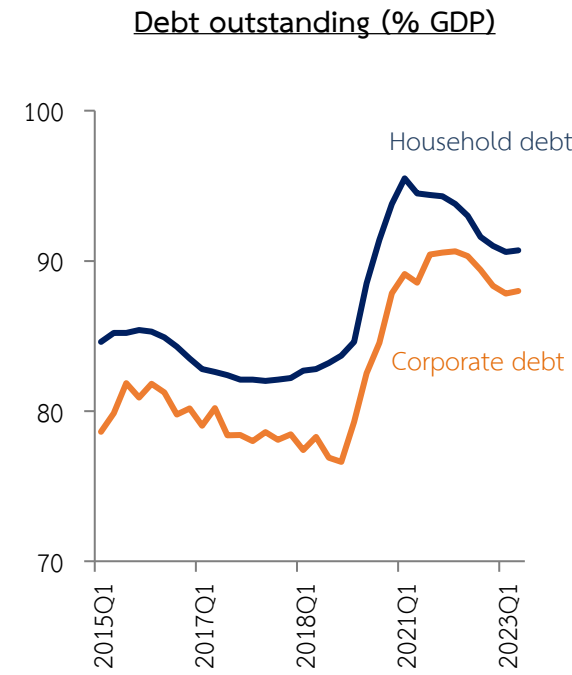
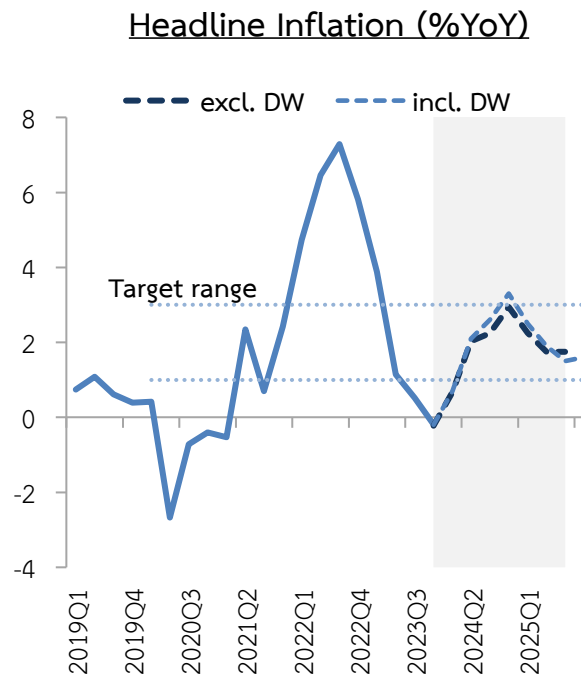
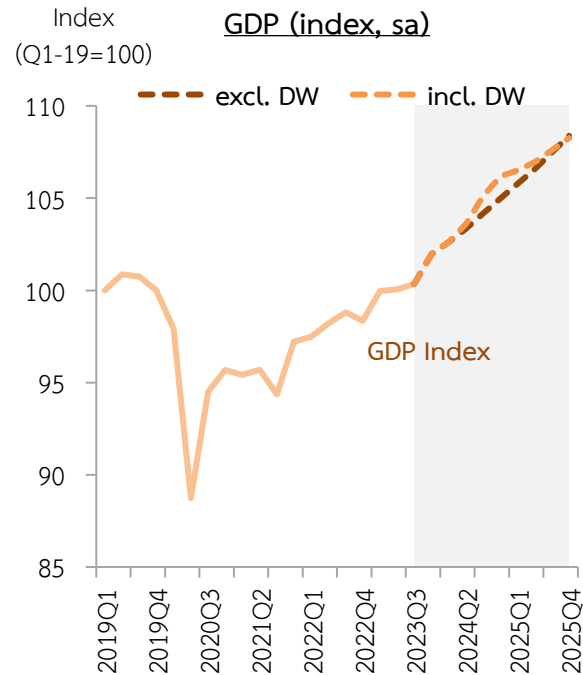
returning to target range

Debt

gradually declining

Policy rate

staying in the neutral zone





The Committee voted unanimously to maintain the policy rate at
2.50 percent

The current policy interest rate is appropriate for supporting long-term sustainable growth

The Committee will take into account growth and inflation outlook
in deliberating monetary policy looking ahead.



Macroeconomic projections as of November 2023

Annual percentage change	2022*	2023	2024		2025	
			excl. DW ¹	incl. DW	excl. DW	incl. DW
GDP growth	2.6	2.4	3.2	3.8	3.1	2.8
Domestic demand	4.1	3.7	2.9	3.7	3.1	2.5
Private consumption	6.3	7.1	3.2	4.5	3.0	2.1
Private investment	5.1	2.4	3.6	3.9	4.5	4.1
Government consumption	0.2	-4.0	1.1	1.1	2.8	2.8
Public investment	-4.9	-0.5	2.7	2.7	1.4	1.4
Exports of goods and services	6.8	2.4	5.6	5.6	3.8	3.8
Import of goods and services	4.1	-2.1	4.9	5.2	3.8	3.4
Current account (billion, U.S. dollar)	-15.7	5.0	10.0	8.3	14.8	13.8
Value of merchandise exports (%YoY)	5.4	-1.5	4.3	4.3	3.3	3.3
Value of merchandise imports (%YoY)	14.0	-1.8	5.3	5.7	2.9	2.7
Number of foreign tourists (million persons)	11.2	28.3	34.5	34.5	39.0	39.0
Dubai crude oil price (U.S. dollar per barrel)	96.5	82.0	85.0	85.0	85.0	85.0
Headline inflation	6.1	1.3	2.0	2.2	1.9	2.0
Core inflation	2.5	1.3	1.2	1.5	1.3	1.4

Note: * Outturns

¹ Digital Wallet scheme